

# **0630 - DFA - Revenue Division**

## **Interim Progress Report**

### **for the reporting period July 1, 2003 - December 31, 2003**

#### **Section I. Agency Update and Assessment**

**1. Emerging Issues at the Federal (National) or State level affecting the agency.**

Pending federal legislation H.R. 3184 and S. 1736 reference portions of the Streamlined Sales Tax Agreement. If adopted, they would require remote sellers to collect Arkansas sales tax for sales into Arkansas and remit to the state. The terms closely follow the agreement. Recent passage of the Military Family Tax Relief Act of 2003 and the Service Members Civil Relief Act of 2003 by Congress will complicate processing of individual income tax returns.

**2. Status of any new initiatives funded from General Revenue or General Improvement funds in the 2003 Legislative Sessions and other changes made through General Legislation.**

Preparations for the 3% individual income tax surcharge and the change in filing deadline are complete.

**3. Discuss significant factors internal and external to the agency affecting agency performance.**

Individual income tax return processing is strongly influenced by companies and individuals who prepare returns for a fee and by federal income tax requirements. We are approaching 50% of our returns filed electronically and while this increases our efficiency, it makes us more vulnerable to outside requirements. Several lawsuits are pending that may affect the time required for individual income tax return processing.

**4. Provide comments on the usefulness and reliability of performance measures.**

Performance measures are useful as early warning of problems and to compare with prior periods to gauge accomplishments.

**5. Discuss significant uses of line item flexibility in this report period (agencies operating under Performance-Based Appropriations only).**



**Program 1: Driver and Motor Vehicle Services**

**Goal 1:** Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

**Objective 1:** To ensure accurate collection of state revenues for driver's license fees and motor vehicle fees through the operation of a statewide network of local revenue offices.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percentage of driver and motor vehicle transactions processed via internet, mail or telephone	18%	21.60%	
2	Overall accuracy rate for driver and motor vehicle transactions processed in local revenue offices.	84%		Not measurable at this time
3	Percentage of customers satisfied with driver and motor vehicle services based on a customer satisfaction survey.	98%		Not measurable at this time

**Comments on performance matters related to Objective 1:**

Computer program changes are in progress so the measure on overall accuracy rate for driver and motor vehicle transactions can be obtained. A quarterly customer satisfaction survey is under development and will be completed before the end of the fiscal year.

**Program 1: Driver and Motor Vehicle Services****Goal 2:** Improve operational efficiency.**Objective 1:** To maintain driver records, accident reports, driver license suspensions, insurance verification, and identify and work with problem drivers.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Number of driver license transactions processed.	622,160	381,002	
2	Percentage of accident reports recorded in 7 business days after receipt.	95%	98%	
3	Percentage of court actions affecting the status of a driver licensee entered in the data system within 7 business days after receipt.	81%	85%	
4	Percent of drivers involved in accidents complying with financial responsibility requirements.	91%	92%	
5	Percentage of driver control hearings conducted over the telephone.	1%	1.50%	

**Comments on performance matters related to Objective 1:**

**Program 1:** Driver and Motor Vehicle Services**Goal 2:** Improve operational efficiency.**Objective 2:** To maintain tag inventories, renewals, title and registration data for motor vehicles.

Measure		<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
<u>Number</u>					
1	Number of motor vehicle transactions processed		2,800,000	1,384,769	

**Comments on performance matters related to Objective 2:**

**Program 2: Taxation Administration**

**Goal 1:** Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

**Objective 1:** To efficiently administer Arkansas' laws for individual and corporation income taxes.

Measure Number	Performance Indicators	Annual Target	Actual YTD	Comments
1	Number of tax returns processed- Individual Income Tax	1,200,186	180,296	
2	Number of tax returns processed- Corporate Income Tax	31,836	13,297	
3	Percentage of taxes collected voluntarily (as a percent of total revenues collected voluntarily or pursuant to enforcement or audit activities)-Individual Income Tax	99.9%	98.40%	
4	Percentage of taxes collected voluntarily (as a percent of total revenues collected voluntarily or pursuant to enforcement or audit activities)-Corporate Income Tax	97.4%	97.30%	
5	Revenues collected through voluntary tax collections per dollar of tax administration activity - Individual Income Tax	\$304.00	\$222.00	
6	Revenues collected through voluntary tax collections per dollar of tax administration activity-Corporate Income Tax	0	0	
7	Percentage of returns filed timely- Individual Income Tax	96.3%	88.00%	
8	Percentage of returns filed timely- Corporate Income Tax	95.2%	93.30%	
9	Percentage of returns filed electronically-Individual Income Tax	44%	3.60%	
10	Percentage of returns filed electronically-Corporate Income Tax	0%	0%	
11	Average number of days to process a refund-Individual Income Tax	10.25	25	
12	Average number of days to process a refund-Corporate Income Tax	90	90	
13	Overall accuracy rate for return processing-Individual Income Tax	83%	95%	
14	Overall accuracy rate for return processing-Corporate Income Tax	79%	85%	



**Program 2: Taxation Administration (Continued)**

**Goal 1:** Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

**Objective 1:** To efficiently administer Arkansas' laws for individual and corporation income taxes.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
15	Number of seminars presented on tax regulations	18	20	
16	Percent of taxpayers satisfied with accessibility, accuracy and timeliness of services based on a Customer Satisfaction Survey-Individual Income Tax	71%		Not measurable at this time
17	Percent of taxpayers satisfied with accessibility, accuracy and timeliness of services based on a Customer Satisfaction Survey-Corporate Income Tax	76%		Not measurable at this time

**Comments on performance matters related to Objective 1:**

The figures for the amount of voluntary tax collection compared to the cost of administration is combined for individual, corporate and withholding. Seasonal filing requirements distort interim figures. A customer satisfaction survey is under development and will be completed before the end of the fiscal year.



**Program 2: Taxation Administration**

**Goal 1:** Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

**Objective 2:** To efficiently administer Arkansas' laws for excise taxes.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Number of tax returns processed-Excise Tax	688,716	317,862	
2	Percentage of taxes collected voluntarily (as a percent of total revenues collected voluntarily or pursuant to enforcement or audit activities)-Excise Tax	98.4%	98.12%	
3	Revenues collected through voluntary tax collections per dollar of tax administration activity-Excise Tax	\$460.00	\$471.60	
4	Percentage of returns filed timely-Excise Tax	95.0%	95.28%	
5	Percentage of returns filed electronically-Excise Tax	8.8%	14.29%	
6	Average number of days to process a refund-Excise Tax	120	99	
7	Overall accuracy rate for return processing-Excise Tax	92%	96.04%	
8	Number of seminars presented on tax regulations	18	4	
9	Percent of taxpayers satisfied with accessibility, accuracy and timeliness of services based on a Customer Satisfaction Survey - Excise Tax	76%		Not measurable at this time

**Comments on performance matters related to Objective 2:**

A customer satisfaction survey is under development and will be completed before the end of the fiscal year.

**Program 3: Audit and Collections**

**Goal 1:** Promote voluntary compliance with tax and license laws through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

**Objective 1:** To maximize revenue collections through enforcement and collection efforts.

Measure Number	Performance Indicators	Annual Target	Actual YTD	Comments
1	Number of audits completed	2,968	1,542	
2	Percent of amounts assessed in an audit actually collected	62.5%	56%	
3	Percent of taxpayers contacted within 30 days of assignment of case to Collections	87%	85%	
4	Percent of insufficient checks collected	76%	71%	
5	Additional revenue collected through enforcement and audit activities as compared to the cost of audit and collection activities	\$3.63 to \$1.00	\$3.74 to \$1.00	

**Comments on performance matters related to Objective 1:**

**Program 4:** Administration and Support Services**Goal 2:** Improve operational efficiency.**Objective 1:** Provide administrative direction and support to insure that department programs meet their objectives and performance targets.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percentage of agency performance objectives and targets met	90%		Not measurable at this time
2	Percentage of agency staff and budget in the administration program compared to total agency positions and budget (excluding refunds).	<10%	7% Personnel 17% Budget	
3	Number of prior year audit findings repeated in a subsequent audit	1	2	

**Comments on performance matters related to Objective 1:**

The measurement of performance objectives met does not lend itself to interim reports due to the seasonal nature of many tax types.

**Program 4:** Administration and Support Services**Goal 2:** Improve operational efficiency.**Objective 2:** To provide for general operations support not otherwise included in the Administration program or treated as a direct cost in other program.

Measure				
<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Average time to deposit or credit revenues to the correct treasury account	<3 days	2.5 days	
2	Number of days to issue legal opinions requested by taxpayers	85	85	
3	Percentage of administrative hearing decisions issued within 30 days of hearing and/or final submission.	78.6%	82%	

**Comments on performance matters related to Objective 2:**

**Program 4:** Administration and Support Services**Goal 3:** Use technology and other resources effectively.**Objective 1:** To effectively utilize information technology to achieve the agency's goals and objectives.

Measure <u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Agency information technology budget as a percent of total agency budget (excluding refunds).	0%	0%	
2	Number of proprietary information systems maintained by agency staff or maintained through contractual services	12	12	

**Comments on performance matters related to Objective 1:**

Department reorganization since this strategic plan was developed created a chief information officer for the department. All information technology budget was transferred to this new organization. Information technology performance will be reported in the strategic plan for DFA Management Services.